

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7013

Petition of Washington Electric Cooperative,)
Inc., requesting authority to issue a note in)
the amount of \$4,200,000 to the Rural Utilities)
Service in re: 2004-2008 Work Plan)

Order entered: 11/9/2004

I. INTRODUCTION

Pursuant to a petition filed with the Vermont Public Service Board ("Board") on August 30, 2004, Washington Electric Cooperative, Inc. ("WEC") requested authority under 30 V.S.A. §108 to issue a note in the amount of \$4,200,000 to the Rural Utilities Service of the United States Department of Agriculture ("RUS").

On October 18, 2004, the Vermont Department of Public Service ("DPS" or "Department") filed with the Board a determination under 30 V.S.A. § 202 (f), that the proposed financing and the implementation of WEC's 2004-2008 Work Plan ("Work Plan") are consistent with the Vermont Twenty-Year Electric Plan.

On October 18, 2004, the DPS' Director for Public Advocacy sent a letter to the Board recommending that WEC's financing petition for up to \$4,200,000 of long-term financing be approved without hearing or investigation on the basis that the proposed action is consistent with the general good of the state, and if the Order contains the same conditions as the DPS's determination under 30 V.S.A. § 202(f).

We have reviewed the petition, the supporting testimony, and accompanying documents and conclude that approval of WEC's petition pursuant to 30 V.S.A. § 108(a) is appropriate and that such approval may occur without hearing.

II. FINDINGS

1. WEC is a Vermont electric cooperative, regulated by the Board, and engaged in the business of supplying electric power to Caledonia, Orange, Orleans, and Washington Counties.

Work Plan at 5.

2. RUS will issue a loan of \$4,200,000 to WEC to be repaid over a period of thirty-five years at an interest rate of approximately 5 percent per annum. As a part of the loan commitment, WEC has prepared a Work Plan outlining the projects WEC plans to construct over the period 2004-2008. The RUS loan is intended to fund these construction projects. Funds will not be advanced by RUS to WEC until such time as actual construction of the above requirements is either undertaken or completed. Principal and interest payments will be payable on a monthly basis. This loan will be secured by a first mortgage heretofore granted by WEC to the United States of America, acting through RUS. The RUS loan will be ratably secured by a certain mortgage and pledge of real and personal property dated as of November 18, 1971, as amended and supplemented, made by and among WEC, and RUS. Petition at pp. 3-5.

3. The 2004-2008 Work Plan will concentrate on the following:

(1) Service Extensions for 636 New Members ¹	\$1,676,559
(2) Deduct -- Contributions In-Aid-Of Construction	<u>1,547,675</u>
(3) Net Service Extensions	\$ 128,884
(4) Conversions and Line Changes - 45.43 miles	3,258,306
(5) New Substations	663,750
(6) Miscellaneous Distribution Equipment	2,475,708
(7) Other Distribution Items	<u>25,779</u>
Total Net Capital Expenditures	\$6,552,427
(9) Deduct -- Loan Funds Available for Facilities \$ 69,585	
General Funds	<u>2,282,842</u>
Total Proposed Work Plan	<u>\$4,200,000</u>

Petition Exhibit 3.

4. As of January 2004, WEC's transmission system consisted of 18.3 miles of transmission line in service. Work Plan at 10.

5. As of January 2004, WEC's distribution system consisted of 1,229.1 miles of line. An analysis of the distribution line is summarized as follows: 1,071 miles of primary overhead distribution line in service; 10.1 miles of primary underground line; and 148 miles of service and secondary overhead line. The entire distribution system is conducted and operated at 12.47/7.2 kV grounded wye. *Id.* at 7-8.

1. The service extensions for the projected 636 new customers at a cost of \$1,676,559 will be reduced by \$1,547,675 when member contributions-in-aid of construction are considered.

6. The service reliability for the most recent five-year period was impacted by Hurricane Floyd in 1999, major snow storms in 2001, and wind storms in 2003. Petition Exhibit 4.

7. The average annual outage hours per consumer for the past five years (1999-2003) are summarized as follows:

<u>Average Outage Hours Per Consumer</u>	<u>Five Years</u>	<u>2003</u>
Power supply	.969	.913
Extreme Storm	8.774	7.570
Prearranged	1.047	.967
All Other	4.376	5.326
Total	<u>15.166</u>	<u>14.776</u>

RUS has established a goal of two hours per member per year for service interruptions, five hour's maximum, for all rural electric cooperatives. *Id.* at 28.

8. WEC's outage summaries for the five-year period indicate that 57.85 percent of all outages were caused by extreme storm damage and related tree contacts. *Id.* at 28.

9. Exclusion of service interruptions relating to power supplier and major storms reduces the average outage hours per customer to 5.42. Petition Exhibit 4.

10. WEC's line losses, including substation transformer and transmission losses, for the past five years have averaged 8.29 percent per year as compared to Docket No. 6405 five-year average line losses of 9.64 percent. *Id.* at 36.

III. DISCUSSION

Based upon the findings and evidence in the record, we find that the proposed borrowing from RUS by WEC in the amount of \$4,200,000, and the mortgage and pledge of WEC's property as security for payment of the proposed notes in the face amount of \$4,200,000 as set forth above, are consistent with the general good of the State of Vermont.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Board consents to the issuance by Washington Electric Cooperative, Inc., of a mortgage note to the United States of America, acting through the Administrator of the Rural Utilities Service, in the amount of \$4,200,000, as set forth in the Findings, above.

2. The Board consents to the mortgage and pledge of real and personal property of Washington Electric Cooperative, Inc., as set forth in the Findings, above.

3. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that Washington Electric Cooperative, Inc. may implement with the proceeds from the issuance of debt under its Agreement with the Rural Utilities Service. Nothing in this approval shall preclude the Department or any other party, or the Board, from reviewing or challenging those expenditures and/or the Washington Electric Cooperative, Inc. resulting capital structure in any future proceeding.

DATED at Montpelier, Vermont, this 9th day of November, 2004.

s/Michael H. Dworkin)

) PUBLIC SERVICE

s/David C. Coen)

) BOARD

s/John D. Burke)

) OF VERMONT

OFFICE OF THE CLERK

FILED: November 9, 2004

ATTEST: s/Susan M. Hudson
Clerk of the Board

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.